

CANADIAN STOCK EXCHANGE

Date Listed: October 10th, 1963
Ticker Abbreviation: "SUR"

SURLUGA GOLD MINES LIMITED

Application is made by the undersigned Company for the listing of 3,000,000 shares of its Capital Stock:

- 1. Under what laws incorporated: The Corporations Act of the Province of Ontario.
- 2. Date of incorporation: March 22nd 1962.
- 3. Dates of Supplementary Letters Patent: None issued.
- 4. Address of the Company's Head Office and of any other offices:
Suite 1101 Federal Building,
85 Richmond Street West,
Toronto 1, Ontario.

5. Officers and Directors of the Company:

NAME	OFFICE HELD	ADDRESS	OCCUPATION
WILLIAM DOUGLAS BURDEN, The Elder.....	Chairman of the Board.	Charlotte, Vermont, United States of America.....	Executive
WILLIAM DONALD SUTHERLAND.....	President.....	P.O. Box 136, Blind River, Ontario, Canada.....	Consulting Geologist
CHARLES STEWART MACIVOR MORTIMER.....	Secretary-Treasurer ...	Suite 1101, 85 Richmond Street West, Toronto 1, Ontario, Canada.....	One of Her Majesty's Counsel
WILLIAM DOUGLAS BURDEN, The Younger....	Director.....	36 East 81st Street, New York 28, New York,..... United States of America	Business Man
LUIS FERNANDO VIAL BROWNE.	Director	4340 Cathedral Avenue, Washington 16, District of Columbia, United States of America.....	Investment Banker
VERNON JAMES LOVELAND...	Director	22 Wales Street, Rutland, Vermont,..... United States of America	Attorney at Law
JOHN PELL COSTER TRAIN...	Director.....	375 Park Avenue, New York 20, New York United States of America.....	Financier
VICTOR KENNETH COLEBOURN.....	Assistant-Secretary....	Suite 1101, 85 Richmond Street West, Toronto 1, Ontario, Canada.....	Solicitor
MISS LJUDMILA INTIHAR....	Assistant-Treasurer...	Suite 1101, 85 Richmond Street, West, Toronto 1, Ontario, Canada.	

- 6. Amount of authorized capital: \$3,000,000.
- 7. Number of shares and par value: 3,000,000 shares of the par value of \$1.00 each.
- 8. Full details of all shares issued in payment for properties or for any other assets other than cash:

By an Indenture of "Contract for Sale of Mining Claims", which is hereinafter referred to as "THE MAIN CONTRACT", which is dated, for convenience, November 1st 1962, and which was made between William Donald Sutherland, above named, who is hereinafter called "SUTHERLAND", of the first part, and the company, of the second part, Sutherland sold to the company and the company purchased, free of encumbrance, (i) an absolute title in fee simple in the land which is entered in the Office of Land Titles at Sault Ste. Marie, in the Province of Ontario, as Parcel 4597 in the Register for Algoma, West Section, which land is now situate in the Township of Michipicoten, in the District of Algoma, and which comprises mining claims SSM 3538, SSM 4317, SSM 4318 and Y 110, and (ii) 32 mining claims situate in the said Township of Michipicoten numbered SSM 59662 to SSM 59664, SSM 60183 to SSM 60185, SSM 60362, SSM 60363 and SSM 60942, SSM 61530 to SSM 61533, and SSM 61954 to SSM 61972, all numbers inclusive. The considerations stipulated in the Main Contract to be paid by the company included the sum of \$75,000 which has been satisfied by the allotment and issue by the company of 750,000 shares in its authorized capital, which shares are hereinafter referred to as "THE VENDORS' SHARES", at the price of 10¢ per share and as fully paid and non-assessable to the following persons and firm in the undernamed proportions, that is to say:—

Name	Address	Occupation	Number of Shares
Thomas Surluga	Wawa, Ontario	Prospector	37,500
Edward Metvedt	R.R. #4, Bracebridge, Ontario.	Prospector	37,500
Sutherland & Co.	P.O. Box 135, Blind River, Ontario.	Exploration Partnership	675,000
			<u>750,000</u>

- 9. Total number of shares issued for cash: 975,006.
- 10. Number of shares issued: 1,725,006.
- 11. Number of shares now in treasury or otherwise unissued: 1,274,994.

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12. Date of last annual meeting.	February 27th, 1963.																				
13. Date of last report to Shareholders.	December 31st 1962.																				
14. Full details of all shares sold for cash by the Company previous to this application, giving dates, number of shares, price per share and total amount realized on each individual issue.	<table><tr><th>DATE</th><th>NO. OF SHARES</th><th>PRICE</th><th>AMOUNT REALIZED</th></tr><tr><td>Mar. 22/62.....</td><td>6</td><td>\$1.00</td><td>\$ 6.00</td></tr><tr><td>Nov. 8/62.....</td><td>225,000</td><td>.10</td><td>22,500.00</td></tr><tr><td>Nov. 28/62.....</td><td>750,000</td><td>.40</td><td>350,000.00</td></tr><tr><td></td><td><u>975,006</u></td><td></td><td><u>\$372,506.00</u></td></tr></table>	DATE	NO. OF SHARES	PRICE	AMOUNT REALIZED	Mar. 22/62.....	6	\$1.00	\$ 6.00	Nov. 8/62.....	225,000	.10	22,500.00	Nov. 28/62.....	750,000	.40	350,000.00		<u>975,006</u>		<u>\$372,506.00</u>
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Nov. 28/62.....	750,000	.40	350,000.00																		
	<u>975,006</u>		<u>\$372,506.00</u>																		
15. Particulars of any issued shares held in trust for the company or donated for treasury purposes.	None.																				
16. Details of any treasury shares or shares issued subject to payment now under option or the subject of any underwriting or sales agreement. If none, this to be stated.	See Insert No. 16.																				
17. Details of any shares pooled, deposited in escrow, non-transferable or held under any syndicate agreement or control.	The Royal Trust Company, the registrar and transfer agent of the company, holds the 675,000 of the Vendors' Shares allotted to Sutherland and Co. in escrow until released by the Ontario Securities Commission and the Alberta Securities Commission; transfer, hypothecation, assignment or other alienation within the said escrow is subject to the consent of the said Commissions. The escrowed Vendors' Shares shall be released from escrow in blocks of not less than 10,000 shares each and, as they are released, they shall be distributed pro rata amongst the holders of the escrowed Vendors' Shares at the time of each such release.																				
18. Details of any registration with, or approval or authority for sale granted by a securities commission or corresponding Government body.	On December 3rd 1962 the prospectus of the company which is dated November 28th 1962, was accepted for filing by the Ontario Securities Commission. On December 3rd 1962 that prospectus was accepted for filing by the Alberta Securities Commission. On December 12th 1962 that prospectus was accepted for filing by the Sales Approval Committee of the Winnipeg Stock Exchange.																				
19. Has any application for registration with, or approval or authority for sale by a securities commission or corresponding Government body ever been refused, cancelled or revoked? If so, give particulars.	No.																				

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20. Particulars of any bonds, notes, mortgages, charges, liens or hypothecations outstanding.	None.
21. Names and addresses of all Transfer Agents.	THE ROYAL TRUST COMPANY, 80-82 Wellington Street West, Toronto 1, Ontario.
22. Particulars of any fee charged upon transfers other than customary Government taxes.	Up to \$1.00 per certificate.
23. Names and addresses of all Registrars.	THE ROYAL TRUST COMPANY, 80-82 Wellington Street West, Toronto 1, Ontario.
24. Are any lawsuits pending against the Company or any of its properties, or are there any other circumstances which might affect the Company's position or title adversely? If so, explain fully.	No.
25. Enumerate fully:	See Insert No. 25.
(a) Properties owned where titles vested in Company.	
(b) Properties leased	
(c) Properties otherwise held.	

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26. Full particulars of any royalties or other charges payable upon production for each individual property.	None.
27. Describe plant and equipment on property.	None.
28. Describe development accomplished and planned.	See the accompanying report dated July 23rd by Paul C. McLean.
29. Date and author of mining engineer's or petroleum geologist's report filed with this application and available for inspection on request.	July 23rd 1963 by Paul C. McLean.
30. Full particulars of production to date.	None by the company, but for particulars of prior production see the accompanying report of Paul C. McLean.
31. Have any dividends been paid? If so, give dates and amounts.	No.
32. Has the listing of any shares of the Company ever been refused or deferred on any Stock Exchange? If so, give particulars.	No.
33. Are any shares of the Company listed on any other Stock Exchange?	No.

Insert No. 16.

- (a) By an Indenture of "Contract for Employment and Agreement Granting Share Option" which is dated, for convenience, July 3rd 1962, which is made between the company, of the first part, and Allan McLeish, of the Settlement of Wawa, in the Township of Michipicoten and District of Algoma, in the Province of Ontario, Mining Engineer, therein and hereinafter called "McLEISH", of the second part, the company from July 1st 1962 agreed to employ McLeish and McLeish, subject to the provisions therein contained, was given the sole and exclusive non-assignable options to subscribe and pay for up to 15,000 fully paid and non-assessable shares of the company at the price of 60¢ per share, as follows:—
- (a) Any part or parts or the whole of 5,000 shares between July 1st 1964 and June 30th 1965.
- (b) Any part or parts or the whole of 5,000 shares between July 1st 1965 and June 30th 1966.
- (c) Any part or parts or the whole of 5,000 shares between July 1st 1966 and June 30th 1967.

In the event that McLeish shall for any reason cease to be employed by the company or fail to exercise any part or parts or the whole of the said option within the times specified therefor, that part or those parts or the whole thereof then unexercised shall thereupon cease and determine. The said option may be exercised by McLeish giving notice within the times above mentioned of his exercise thereof in respect of that part or parts thereof then open for exercise and specified in each such notice and by McLeish with each such notice paying to the company the issue price of the shares in respect of which the option is thereby exercised.

- (b) By an Indenture of "Option to Purchase Mining Claims" which is dated, for convenience, May 22nd 1963, and which is made between Benjamin Milrot, of the City of Montreal, in the Province of Quebec, therein and hereinafter called "MILROT", of the first part, and the company, of the second part, Milrot gave and granted to the company the sole and exclusive right and option to acquire 19 of the patented mining claims hereinafter mentioned for the sum of \$20,000 payable as therein specified and either (i) 50,000 shares of a new 3,000,000 share company which may be incorporated pursuant to the provisions of the said agreement or (ii) 50,000 shares of the company, at the election of the company.

Save as aforesaid, no treasury shares or shares issued subject to payment are now under option or the subject of any underwriting or sales agreement.

Insert No. 25

- (a) The Company is the owner of 48 patented and unpatented contiguous mining claims situate in the Township of Michipicoten, formerly Township 29 in Range XXIII, in the District of Algoma and Province of Ontario. There are 6 patented claims and 42 unpatented claims, namely:—

Patented claims — SSM 3089, SSM 3090, SSM 3531, SSM 3538, SSM 4020, SSM 4317 and SSM 4318.

Unpatented claims — SSM 59662 to SSM 59664, SSM 60183 to SSM 60185, SSM 60362, SSM 60363, SSM 60942, SSM 61530 to SSM 61533, SSM 61954 to SSM 61972, SSM 64595, SSM 64700 to SSM 64706, SSM 64934 and SSM 64955, all numbers inclusive.

- (b) None.
- (c) By the above-mentioned indenture of "Option to Purchase Mining Claims" which has been made between Milrot, of the first part, and the company of the second part, Milrot gave and granted to the company the sole and exclusive right and option to acquire 19 patented mining claims situate in the said Township of Michipicoten, numbered SSM 3130 to SSM 3135, SSM 3231, SSM 3233, SSM 3256, SSM 3400, SSM 3401, SSM 3406 to SSM 3408, SSM 3455, SSM 3555 to SSM 3558, all number inclusive, which are now entered in the Office of Land Titles at Sault Ste. Marie as Parcels 1721, 1723 and 1784 in the Register for Algoma, West Section.

By an indenture of "Agreement" dated February 1963 and made between Alfred James Eddy, Olive Jane Eddy Rahilly, Ernest Roy Eddy and Gordon Raymond Eddy, therein and hereafter called "THE VENDORS", of the first part, and the company, of the second part, the Vendors gave and granted to the company the sole and exclusive option to purchase free from encumbrances 5 patented mining claims situate in the said Township of Michipicoten, numbered SSM 3191 to SSM 3194 and SSM 4507, which are now entered in the office of Land Titles at Sault Ste. Marie as Parcel 1775 in the Register for Algoma, West Section.

REPORT ON SURLUGA GOLD MINES LIMITED WAWA PROPERTY

Introduction:

The writer has been associated with SURLUGA GOLD MINES LIMITED in the capacity of consulting geologist since the formation of the company in March 1962. Prior to this date the author acted as consultant to Sutherland & Co., who are the vendors of Surluga.

SURLUGA GOLD MINES LIMITED has been engaged in an extensive diamond drilling campaign since December 1962. This programme is still in progress with two drills presently being employed. The results of this drilling have been gratifying in that five separate ore shoots have been indicated and partly outlined.

Abstract:

A new evaluation of all diamond drill hole results has recently been made. It is estimated that diamond drilling to date has indicated a total of 761 tons of ore per vertical foot or 225,226 tons grading .232 ounces of gold per ton after allowing for a 10% dilution. These results are considered sufficient to justify an underground development programme.

It has been recommended that a vertical shaft be sunk to a depth of 500 feet and that two levels be established in order that the various ore shoots can be opened up and sampled.

An additional 25,000 feet of surface diamond drilling has been recommended, provided that sufficient funds are available over and above the funds required to complete the underground development programme.

Location and Means of Access:

The SURLUGA GOLD MINES LIMITED property consists of a group of 73 patent and unpatent contiguous mining claims which are held outright or under option. The property is situated in Township 29 Range XXIII, Sault Ste. Marie Mining Division, District of Algoma, Ontario. The group is located immediately east of the Town of Wawa and is readily accessible by road as the Wawa-Hawk Junction highway traverses the northern part of the property. A secondary road runs south from this highway through the claims to Jubilee Lake and beyond, and passes close to the area where the ore shoots have been indicated. An electric power line crosses the southwest section of the property.

The group comprises approximately 2,800 acres and the claims are numbered as follows:

Patent claims: SSM 3089-90, SSM 3130-31-32-33-34-35, SSM 3191-92-93-94, SSM 3231-32, SSM 3256, SSM 3400-01, SSM 3406-07-08, SSM 3455, SSM 3531, SSM 3538, SSM 3555, SSM 3556-57-58, SSM 4020, SSM 4317-18 and SSM 4507.

Unpatent claims: SSM 59662-63-64, SSM 60183-84-85, SSM 60362-63, SSM 60942, SSM 61530, SSM 61531-32-33, SSM 61954-55-56-57, SSM 61958-59-60-61-62-63-64-65-66-67, SSM 61968-69-70-71-72, SSM 64595, SSM 64700-01-02-03-04-05-06, SSM 64934, SSM 64955.

History of the Surluga Property:

Sutherland & Co. acquired the 8 claim Surluga group in October, 1960, and subsequent to the diamond drilling programme carried out in 1960 and 1961, an additional 27 claims were purchased or staked.

SURLUGA GOLD MINES LIMITED was formed by Sutherland & Co. in March 1962, and since that time an additional 37 claims have been acquired by staking, purchase or option. The property now includes the former Cora (Surluga), Hornblende, Mackey Point, Wawa Gold Fields, Cooper, Jubilee and Minto groups. The Cooper, Jubilee and Minto properties were formerly producing mines and had a combined production of \$1,131,467 from 184,600 tons of ore.

Sutherland & Co. completed a total of 9,301 feet of diamond drilling in 25 vertical drill holes prior to the incorporation of SURLUGA GOLD MINES LIMITED. An additional 19,214 feet of diamond drilling in 51 holes have been completed by SURLUGA GOLD MINES LIMITED, making a total of 28,515 feet in 76 holes.

General Geology of the Area:

The Wawa gold camp is located south and southeast of the Town of Wawa. It lies within a band of Keewatin lava and sediments that extend for some 60 miles northeast from Lake Superior. A large part of the Wawa gold area is underlain by Algonian intrusive rocks that have invaded the older Keewatin lavas in a very complex manner. It is thought that the Algonian intrusives represent the roof of an underlying granitic batholith. The intrusives consist of granite, granodiorite, quartz diorite, diorite porphyry and many other associated rock types, including quartz and feldspar porphyry and quartz veins. The Algonian intrusives are thought to be the source of the gold mineralization in the district.

The area in the vicinity of and south of Wawa Lake is transected by a series of strong northeast trending shear zones. Most of these structures strike from N20°E to N45°E and dip between 30° and 45° to the southeast. Many small subsidiary shear zones are present in the area. These zones vary in strike from N45°E to N45°W and range in dip from almost flat to 30°.

The Jubilee break is a major shear zone which trends about N20°E and dips from 30° to 45° to the southeast. The shear zone varies from 20 feet to 150 feet in width and is known to extend for at least 2 miles across the Surluga property. This structure is important because all the Surluga ore shoots have been found within the structure or close to it. The Jubilee mine was also situated within this shear zone.

Geology of the Surluga Property:

The Surluga claims are mostly underlain by Algonian intrusives consisting of quartz diorite and granodiorite. Locally dykes of porphyry and lamprophyre are also present. Small areas of Keewatin lava on the property are thought to be roof pendants above the underlying batholith.

Surface exploration has revealed the existence of a number of shear zones on the Surluga claims in addition to the main Jubilee shear zone. The Hornblende shear zone lies approximately 800 feet west of the Jubilee zone and runs parallel to it. This shear zone is over 50 feet in width and its extent is unknown.

The Highway shear zone may be the northeast extension of either the Jubilee or the Hornblende shear zones. This structure has been traced for a distance of 5,000 feet from the highway northeast to the shore of Wawa Lake. The Highway shear zone is up to 150 feet in width in some places.

The Mackey Point shear zone is located approximately 1,300 feet west of the Highway shear zone. This structure trends northeast and varies from 25 to 50 feet in width. The zone has been traced for a distance of 1,000 feet northeast across Mackey Point. Another shear zone has been found near the north shore of Mackey Point. This structure which is up to 20 feet in width, trends N45°E and has been followed for approximately 500 feet along the shoreline of Mackey Point.

A northwest trending shear zone has been observed near the old Wawa Gold Fields workings. This zone has a width of about 15 feet and has gold bearing vein quartz associated with it at this location.

In view of the fact that only 25 per cent of the property has been investigated to date, it is felt that additional shear zones will likely be discovered on the unexplored areas of the group.

Economic Geology of the Area:

During the period from 1930 to 1939, gold production in the Wawa camp was obtained from three main operations: the Minto, Parkhill and Darwin Mines.

The Minto operation, which is now part of the Surluga property, was a combination of three mines: the Cooper, Jubilee and Minto. Ore was trucked from the Jubilee and Cooper Mines to a 75 ton per day mill, located at the Minto Mine. Total production of \$1,131,467 was obtained from 184,600 tons of ore having an average grade of .204 ounces per ton (\$7.14).

The Parkhill Mine adjoined the Minto on the south. Total production of \$1,677,307 was obtained from 125,769 tons having an average grade of .432 ounces per ton (\$15.12).

The Darwin Mine adjoined the Parkhill on the southwest. Total production of \$536,583 was obtained from 45,528 tons of ore having an average grade of .382 ounces per ton (\$13.37).

Total production of \$3,345,357 was obtained from 355,897 tons of ore having an average grade of .306 ounces per ton (\$10.71) from these three operations.

A basic difference between the ore shoots of the foregoing operations and those of SURLUGA GOLD MINES LIMITED should be noted. All previous production came from quartz veins and lenses that were completely different in character from the Surluga ore shoots. The Surluga ore occurs within or near the Jubilee shear zone and gold values are related to blebs and stringers of dark grey quartz. The shear zone is usually well mineralized with pyrite or arsenopyrite in the vicinity of the ore shoots, and fine visible gold can often be seen on the shear planes.

Diamond Drilling and Ore Reserves:

A total of 28,515 feet of diamond drilling in 76 holes has been completed on the property up to the present time. In a separate report dated June 1963, the author has calculated in detail the ore reserves indicated by these drill holes.

With reference to the attached plan of drill holes, it should be noted that ore intersections in holes 8 (upper), 14 ,25, 50 (upper), 72 and 73 were not included in the ore calculations due to the lack of sufficient additional data in the areas of these holes. Past experience suggests that these ore intersections represent substantial extra tonnage.

In regard to the south zone, a body of late pegmatitic quartz and tourmaline has invaded the ore zone in the vicinity of holes 38, 40, 42, 44 and 46, and as a result no ore values were obtained in these holes. Hole 5 also encountered this material up dip from the ore body and thus failed to obtain ore values. It will be noted that hole 24 encountered ore below holes 40-42-44-46, and it is therefore expected that additional ore will be found at depth to the east of these holes. Hole 50, located on the south edge of the ore shoot obtained an upper ore section of .219 ounces per ton over 5.5 feet. This intersection is 185 feet above the south ore shoot and it occurs within the No. 8 shear. The presence of an in echelon ore shoot lying above and to the south of the south zone is suspected, however more work will be required in order to prove this theory.

Diamond drilling has partly outlined two ore shoots in the central zone. These structures trend northeast and lie one above the other. The ore shoots are approximately 65 feet in width and are estimated to be 320 and 360 feet long respectively.

Diamond drilling has partly outlined two ore shoots in the north zone. The upper structure strikes close to north and dips 30° to the east. This zone has a length of 320 feet, but due to the scarcity of drill holes, little is known about its down dip extension beyond hole 19. The lower zone lies partly below the upper zone and partly to the south of it. This zone has been traced in a north-south direction for 200 feet. Hole 53 is the only hole drilled down dip on this structure and as a result the east and west limits of the zone are arbitrary.

A summary of the results of the ore calculation is tabulated below:

	Tonnage	Grade	Oz/tons
South ore shoot.....	122,718	.279	34,226.772
Upper central ore shoot.....	12,653	.158	1,999.174
Lower central ore shoot.....	14,820	.189	2,800.980
Upper north ore shoot.....	34,560	.252	8,709.120
Lower north ore shoot.....	20,000	.194	3,880.000
	204,751 tons		51,616.046

Average grade = $\frac{51,616.046}{204,751} = .252$ ounces per ton

The total tonnage indicated to date is therefore calculated to be 204,751 tons grading .252 ounces per ton.

35 -
- .25

17.5
70

87.5

Allowing for a 10% dilution of all ore shoots and assuming that the extra material will grade .03 ounces per ton:

	Tonnage	Grade	Oz/tons
South ore shoot.....	134,990	.256	34,594.932
Upper central ore shoot.....	13,918	.146	2,037.124
Lower central ore shoot.....	16,302	.175	2,845.440
Upper north ore shoot.....	38,016	.231	8,812.800
Lower north ore shoot.....	22,000	.179	3,940.000
	225,226 tons		52,230.296

Average diluted grade = $\frac{52,230.296}{225,226}$ = .232 ounces per ton.

It is therefore calculated that the 5 ore shoots contain 225,226 tons of ore grading .232 ounces per ton after allowing for a 10% dilution.

The foregoing tonnage calculation may be misleading in that no drilling has been done on the north or central zones below a vertical depth of 220 feet, while the south zone has been tested to a vertical depth of 400 feet below the Jubilee Lake datum plane. The following is an estimate of the tons per vertical foot present.

South zone: 134,990 tons to a vertical depth of 400 feet.

$\frac{134,990}{400}$ = 338 tons per vertical foot.

Central zone: 30,220 tons to a vertical depth of 200 feet.

$\frac{30,220}{200}$ = 151 tons per vertical foot.

North zone: 60,016 tons to a vertical depth of 220 feet.

$\frac{60,016}{220}$ = 272 tons per vertical foot.

Total:	south zone.....	338 tons per vertical foot
	central zone.....	151 tons per vertical foot
	north zone.....	272 tons per vertical foot
	total.....	761 tons per vertical foot

Recent Drilling:

The exploration phase of the drilling programme now being carried out is meeting with considerable success. In the area north of the north zone two holes have returned significant values. Hole 72 intersected .435 ounces per ton over 3.0 feet, while hole 73 located 280 feet to the northwest returned values of 1.13 ounces per ton over 2.5 feet and .84 ounces per ton over 1.0 feet. While these holes are considered to be too far apart to be included in the tonnage calculations, it is apparent that the holes represent important additional tonnage.

Surface Exploration:

Preliminary surface exploration has disclosed the presence of several major shear zones running parallel to the Jubilee shear zone. As yet little is known about the new zones except that they are extensive. The recent discovery of ore grade material on the surface in one of these zones suggests that the ore potential of the property has been greatly increased. With the exception of the present assessment work, all diamond drilling has been confined to approximately one half mile of strike length on one shear zone. It is apparent that there are several miles of unexplored shear zones on the property, and it is my opinion that future diamond drilling will increase existing ore reserves many times.

Recommendations:

The current exploration programme has now reached the stage where a new assessment of the results has to be made.

In my opinion there is now sufficient ore indicated by diamond drilling to warrant an underground test of the property. It is felt that if underground work confirms the ore estimate the property would be capable of supporting a 300 ton per day mill. It is therefore recommended that a three compartment vertical shaft be sunk to a depth of 500 feet and that two levels be established. The object of this programme will be to prove up and add to the tonnage indicated by surface diamond drilling. The purpose of the programme will also be to obtain geological and metallurgical information relative to the character of the ore in order that a decision can be made on the initial rate of production.

In view of the success of the drilling programme, it is felt that surface diamond drilling should be continued while the underground work is in progress; provided that extra funds are available for this purpose. It is therefore recommended that an additional 25,000 feet of surface diamond drilling be undertaken, and that the programme be carried out with two drills. It is suggested that one drill be employed in the vicinity of the known ore shoots, particularly along the Jubilee shear zone to the southeast of the south ore body. This drilling should be carried out in order to explore the untested gap to hole 25 and beyond. The Horn-blende shear zone should be tested by a series of holes in the area below the known ore shoots. It is suggested that for this phase of the programme that holes be spaced not more than 100 feet apart, and in critical areas not more than 50 feet apart.

It is recommended that a second drill be employed to explore the Highway shear zone and the other shear zones on the claims. It is felt that the Highway shear zone should be drilled at 200 foot intervals from the lakeshore south to the highway, and that where favourable mineralization or gold values are encountered that this interval should be decreased.

It is recommended that geological mapping of the property be undertaken as a guide to the exploration drilling programme. All shear zones discovered should be carefully prospected and sampled.

Conclusions:

Diamond drilling on the Surluga property has indicated 761 tons per vertical foot or 225,000 tons of ore grading .232 ounces per ton. Selective mining methods should lead to a considerable increase in the grade of ore because no allowance was made in the ore calculation for the leaving of pillars of low grade material within the stopes. Development work has now reached the stage where an underground exploration programme is warranted and such a programme has been recommended.

In view of the fact that only a small fraction of the property has been adequately explored by diamond drilling an extensive drilling programme has been recommended as a continuation of the current drilling campaign.

Respectfully submitted,
PAUL C. McLEAN, M.A.Sc.,
Mining Geologist.

References:

This report has been written with reference to the following publications:

Ontario Department of Mines, Volume XXXVI, Part ii
Michipicoten Gold Area, District of Algoma.
by T. L. Gledhill, 1927.

Ontario Department of Mines, Volume XL, Part iv
Goudreau and Michipicoten Gold Area, District of Algoma.
by E. S. Moore, 1931.

Ontario Department of Mines, Volume XLIV, Part viii
The Ore Deposits of the Michipicoten Area
by M. H. Frohberg, 1935.

Ontario Department of Mines, Volume XLIX, Part i
Statistical Review of the Mineral Industry of Ontario for 1939.
by Maurice Tremblay, 1940.

Structural Geology of Canadian Ore Deposits, Pages 414 to 419
(The Michipicoten-Goudreau Area.)
by E. S. Moore, 1948.

Sutherland & Co. Wawa Gold Property
by Paul C. McLean, 1962.

Surluga Gold Mines Limited Tonnage Calculation
by Paul C. McLean, 1963.

Cost Estimate:

The approximate cost of the recommendations contained within the body of this report is expected to be as follows:

Underground development programme including shaft sinking, cross-cutting, drifting, raising etc.....	\$600,000
25,000 feet of AXT diamond drilling @ \$3.75 per foot	93,375
Engineering and assaying re drilling.....	15,000
Geological Mapping.....	12,000
Contingencies.....	79,375
Total cost of programme.....	\$800,000

CERTIFICATE

I, Paul C. McLean, of the City of North Bay, in the District of Nipissing, do hereby certify as follows:

1. I am a Consulting Mining Geologist, residing in the City of North Bay, Ontario, Canada.
2. I am a graduate of the University of Toronto Faculty of Applied Science and Engineering, in the course of Mining Geology, 1950. I hold the degrees of B.A.Sc., and M.A.Sc. in Mining Geology.
3. I have no direct or indirect interest whatsoever nor do I expect to receive any in the property of SURLUGA GOLD MINES LIMITED or in the securities thereof, except that I have purchased 5,000 shares of SURLUGA GOLD MINES LIMITED on the open market.
4. The accompanying report is based on the author's personal knowledge of the property and was written with reference to previous reports by the author.

Dated at North Bay, Ontario,
This 23rd day of July, 1963.

PAUL C. McLEAN, M.A.Sc.,
Mining Geologist.

SURLUGA GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT AUGUST 15, 1963**ASSETS**

Cash	\$117,007
Accounts receivable	17,453
Mining land and claims acquired for the issue of 750,000 shares	75,000
Payments made under options to purchase mining claims and expenditures pertaining thereto (note 1)	4,290
Exploration and administrative expenditures — deferred (statement 2)	166,742
Incorporation expense	19,829
	<u>\$400,321</u>

LIABILITIES

Accounts payable	\$ 2,815
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CAPITAL:

Authorized — 3,000,000 shares with a par value of \$1 each (note 2)

Issued and fully paid —

	Par value	Discount	
975,006 shares for cash	\$ 975,006	\$ 652,500	\$322,506
750,000 shares for mining land and claims	750,000	675,000	75,000
<u>1,725,006 shares</u>	<u>\$1,725,006</u>	<u>1,327,500</u>	<u>397,506</u>
			<u>\$400,321</u>

NOTES:—

- Additional payments over several years payable at the option of the company will be required to exercise in full the options to purchase mining claims as follows:
 - Five mining claims for the following consideration —
 - \$ 2,000 on signing agreement (paid).
 - 2,000 on or before February 1, in each year 1964 to 1967 inclusive and the balance of 10,000 on or before February 1, 1968
 - Nineteen mining claims for the following consideration —
 - \$ 2,000 on signing agreement (paid) and semi annual payments of 3,000 on or before December 1, 1963 to June 1, 1966 and either 50,000 shares (16.66% interest) of a new company to be organized prior to June 1, 1966 for the purpose of acquiring the mining properties in question or 50,000 shares of SURLUGA GOLD MINES LIMITED.
- An option has been granted to an employee on 15,000 shares at 60¢ per share exercisable as to 5,000 shares in each of the years ending June 30, 1965, 1966 and 1967.

**STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENDITURES—DEFERRED
FOR THE PERIOD FROM JANUARY 1, 1963 TO AUGUST 15, 1963**

	Total to January 1, 1963	Expenditures (net) during the period	Total to August 15, 1963
EXPLORATION:			
Consulting fees and salaries	\$22,650	\$ 24,100	\$ 46,750
Diamond drilling	11,944	83,104	95,048
Travelling expense	1,733	5,531	7,264
Telephone	431	1,198	1,629
Surveys		8,500	8,500
Insurance and taxes	146	518	664
Miscellaneous expenditures	2,204	1,745	3,949
	<u>\$39,108</u>	<u>\$124,696</u>	<u>\$163,804</u>
ADMINISTRATIVE:			
Travelling		\$ 1,968	\$ 1,968
Office salaries and rent		1,250	1,250
Transfer agents' fees		561	561
Legal and audit		200	200
Miscellaneous expenditures		2,822	2,822
		<u>\$ 6,801</u>	<u>\$ 6,801</u>
		<u>\$131,497</u>	<u>\$170,605</u>
Deduct interest income		3,863	3,863
	<u>\$39,108</u>	<u>\$127,634</u>	<u>\$166,742</u>

AUDITORS' REPORTTo the Directors of
SURLUGA GOLD MINES LIMITED:

We have examined the balance sheet of SURLUGA GOLD MINES LIMITED as at August 15, 1963 and the statement of exploration and administrative expenditures — deferred for the period from January 1, 1963 to August 15, 1963. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of exploration and administrative expenditures — deferred present fairly the financial position of the company as at August 15, 1963, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Toronto, Canada,
August 26, 1963.

CANADIAN STOCK EXCHANGE

STATEMENT SHOWING DISTRIBUTION OF ISSUED CAPITAL

as of August 15th, 1963

FREE STOCK	SHARES	SHARES
(a) Distributed and in the hands of the public (exclusive of the promoters, officers and directors of the Company and their agents or trustees).	996,189	
(b) Distributed and in hands of the promoters, officers and directors of the Company and their agents or trustees.	53,817	
Total free stock		<u>1,050,006</u>
POOLED STOCK		
(c) Held in pool as per listing application		<u>675,000</u>
Total issued capital		<u>1,725,006</u>

RECORD OF SHAREHOLDERS

Number of registered shareholders holding shares in class (a)	7
Number of registered shareholders holding shares in class (b)	95
Number of registered shareholders holding shares in class (c)	<u>1</u>

The classification of the shareholders as at August 15, 1963 is as follows:

NUMBER	SHARES
61 Holders of 1 to 1,000 —	35,174
23 “ “ 1,001 to 10,000 —	112,778
11 “ “ 10,001 to 25,000 —	200,767
5 “ “ 25,001 to 50,000 —	182,757
3 “ “ 50,001 and over —	1,193,530
<u>103</u> Stockholders	<u>1,725,006</u>

44,830 shares registered in the name of five stockbrokers, are held on behalf of 38 clients.

CANADIAN STOCK EXCHANGE

P. O. BOX 1626 PLACE D'ARMES - MONTREAL 1, QUE.

TEL. Victor 2-9081

PRESS RELEASE

To be released October 10, 1963.

OCT 11 1963

LISTING OF THE SHARES OF SURLUGA GOLD MINES LIMITED ON THE CANADIAN STOCK EXCHANGE

On October 10, 1963, 3,000,000 common shares, with a par value of \$1.00, of which 1,725,006 are issued and outstanding, were listed on the Canadian Stock Exchange under Ticker Abbreviation "SUR".

Escrowed Shares

675,000 of the Vendors' Shares are held in escrow by the Royal Trust Company and will be released only upon the consent of the Ontario and Alberta Securities Commissions and the Canadian Stock Exchange.

Properties

Surluga Gold Mines Limited is the owner of 48 patented and unpatented contiguous mining claims in the Township of Michipicoten, District of Algoma, Ontario. The company holds sole and exclusive rights and options to acquire 24 additional patented claims in the same area.

Geologist's Report and Recommendations

A new evaluation of all diamond drill hole results has been made. It is estimated that diamond drilling to date has indicated a total of 225,226 tons grading .232 ounces of gold per ton after allowing for a 10% dilution. These results are considered sufficient to justify an underground development programme.

It has been recommended that a vertical shaft be sunk to a depth of 500 feet and that two levels be established in order that the various ore shoots can be opened up and sampled. An additional 25,000 feet of surface diamond drilling has been recommended, provided that sufficient funds are available over and above the funds required to complete the underground development programme. The approximate cost of carrying out these recommendations is \$800,000.

Financial Information

For the period from January 1, 1963, to August 15, 1963, a total of \$163,804.00 was spent on exploration expenditures and \$6,801.00 was spent for administrative purposes.

As at August 15, 1963, the Company's Balance Sheet showed:

Cash	\$ 117,007.
Accounts Receivable	17,453.
Accounts Payable	2,815.

General

The Company was incorporated under the Corporations Act of the Province of Ontario on March 22, 1963.

Head Office: 85 Richmond Street West, Toronto, Ont.

Transfer Agent and Registrar: The Royal Trust Company, Toronto, Ont.

Officers: William Douglas Burden, The Elder, Chairman of the Board, Charlotte, Vermont. - William Donald Sutherland, President, Blind River, Ont. - Chas. S. MacIvor Mortimer, Secretary-Treasurer, Toronto. - Victor Kenneth Colebourn, Assistant-Secretary, Toronto, Ontario. - Miss Ljudmila Intihar, Assistant-Treasurer, Toronto, Ontario.

Directors: William Douglas Burden, The Younger, New York, N.Y. - Luis Fernando Vial Browne, Washington, District of Columbia. - Vernon James Loveland, Rutland, Vermont. - John Pell Coster Train, New York, N.Y.

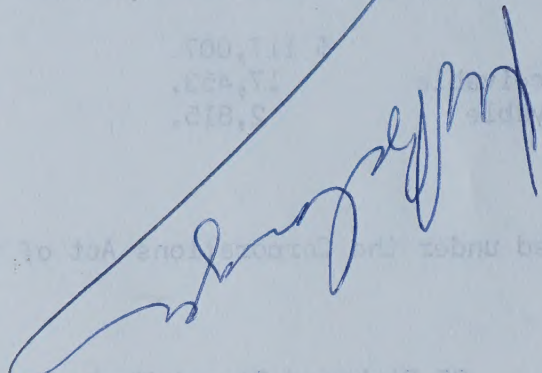
Listing Applications of this Company are available through the Canadian Stock Exchange.

Charles G. Denis,
Director of Public Relations.

Financial Information

For the period from January 1, 1963, to August 15, 1963, a total of \$103,804.05 was spent on exploration expenditures and \$5,801.00 was spent for administrative purposes. As at August 15, 1963, the Company's balance sheet shows:

Cash \$ 117,007
Accounts Receivable 17,453
Accounts Payable 2,815



General

The Company was incorporated under the Companies Act of the Province of

Ontario on March 22, 1963.

Head Office:

22 Richmond Street West, Toronto, Ont.

Transfer Agent and Registrar:

The Royal Trust Company, Toronto, Ont.

Officers:

William Douglas Burden, The Elder, Chairman of the Board, Charlotte, Vermont - William Douglas Burden, President, Pined River, Ont. - Walter Mortimer, Secretary-Treasurer, Toronto - Victor Kenneth Colebourne, Assistant-Secretary, Toronto - Miss Lillian Fisher, Assistant-Secretary, Toronto, Ontario.

Directors:

William Douglas Burden, The Younger, New York, N.Y. - Louis Fernando Viel Brown, Washington, D.C. - Vernon James Lowland, District of Columbia - John Neil Foster, New York, N.Y.

Listing Applications of this Company are available through the Canadian Stock Exchange.

Charles C. Davis,
Director of Public Relations.